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CIA/RR CB-61-60

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21 November 1961

## CURRENT SUPPORT BRIEF

BLOC PLANNING MERCHANT SHIPPING CARTEL IN ASIA

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

This report represents the immediate views of the originating intelligence components of the Office of Research and Reports. Comments are solicited.

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In an article published in April 1960, Dr. M. Schelzel, Director of the Institute of Sea Shipping of the Rostock University, made a strong and unequivocal statement of Bloc intentions to "oppose the imperialist shipping monopoly," and to provide coordinated shipping services, "in principle" on a bilateral basis, to the emerging national states. 1/ Several such bilateral shipping agreements now have been concluded, and, because most of these newer nations have no fleets as yet, Bloc ships are in a position to monopolize the trade.

Although the CEMA Transportation Commission was discussing Bloc efforts in the field of ocean transportation as early as August 1957 2/ and Bloc press releases since then have reiterated the intent to pool merchant ships under the coordinated control of CEMA, the only concerted actions taken until 1960 seemed to be special services provided by ship-owning and ship-building CEMA members to other members. In June 1961, however, West German shipping circles reported that the Soviet Bloc was discussing plans for setting up a Central Shipping Bureau with extensive powers including assignment of Bloc tonnage. It was also reported at this time that the CEMA Shipping Commission would devote itself to a greater extent to the problems of a common shipping line. These reports were officially confirmed by an East German publication in July 1961. 3/

In 1959, only the USSR and Poland had ships calling regularly in Southeast Asia. The agent for the Soviet Black Sea Steamship Co. in Rangoon is Steel Brothers and the agent for the Polish Ocean Lines (PLO) and Sinofracht is Heilgers (Burma) Ltd. 4/ In May 1960 the East German shipping company, VEB Deutsche Seereederei (VDS) put the 10,000-ton freighter Halle into Rangoon, giving the agency to the Burma Agents Corporation, owned by Mr. Sukdhev Varma, on a one-time basis. 5/ At that time Burma Agents Corporation was already handling Czechoslovak and Rumanian chartered ships.

Between May and August 1960 the VDS was planning scheduled services in Southeast Asia and was inquiring into the shipping market both through Mr. Varma in Burma and through SOGEMAR, its agent in Antwerp.\* SOGEMAR sent a representative to Rangoon in July to talk with Heilgers Ltd., which was interested in the East German agency. 7/ Mr. Varma's Burma Agents Corp., however, which also operates an export/import business, was awarded the agency. Between May and December 1960 eight East German ships called at Rangoon and so far as is known they were all handled by the Burma Agents Corp.

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Concurrent with the activities discussed above, other members of the Bloc were taking steps apparently related to the overall program for Bloc domination of merchant shipping in Asiatic waters. Between January and August 1961 the first Czechoslovak ship and the second Rumanian ship called at Rangoon and were handled by Burma Agents Corp. 16/ Prior to 1961, only Czechoslovak and Rumanian chartered ships called at Rangoon. In July 1960 the Czechoslovak ship, the Kladno, (12,500 GRT), the first Bloc ship to call at Cambodia, called at Sihanoukville to discharge cargo from Czechoslovakia.

In December 1960 Prince Sihanouk announced the formation of a Czechoslovak-Cambodian shipping company (Khmero-Czech Shipping Co.) operating between Sihanoukville and Europe, and a Communist Chinese-Cambodian shipping company (Sino-Khmero Shipping Co.) operating between Sihanoukville and Communist China. 17/ A Czech delegation arrived in Phnom Penh, 28 January 1961 to discuss Czech aid proposals, among them the joint shipping company. 18/ Chinese shipping technicians were in Phnom Penh in April 1961. In July 1961 it was announced that the Sino-Khmero Shipping Co. would be financed half by Cambodia and half by China and that the company would operate two 1,500 ton ships with a projected annual capacity of 150,000 tons of cargo. 19/ Inasmuch as this would mean at least 50 trips a year for each ship, fully loaded each way, either the total tonnage figure is incorrect or more ships will be operated by the company. In 1961 two shipments have been noted going to and from Haiphong and China, one of them on a Cambodian ship, and there probably have been other such shipments. 20/

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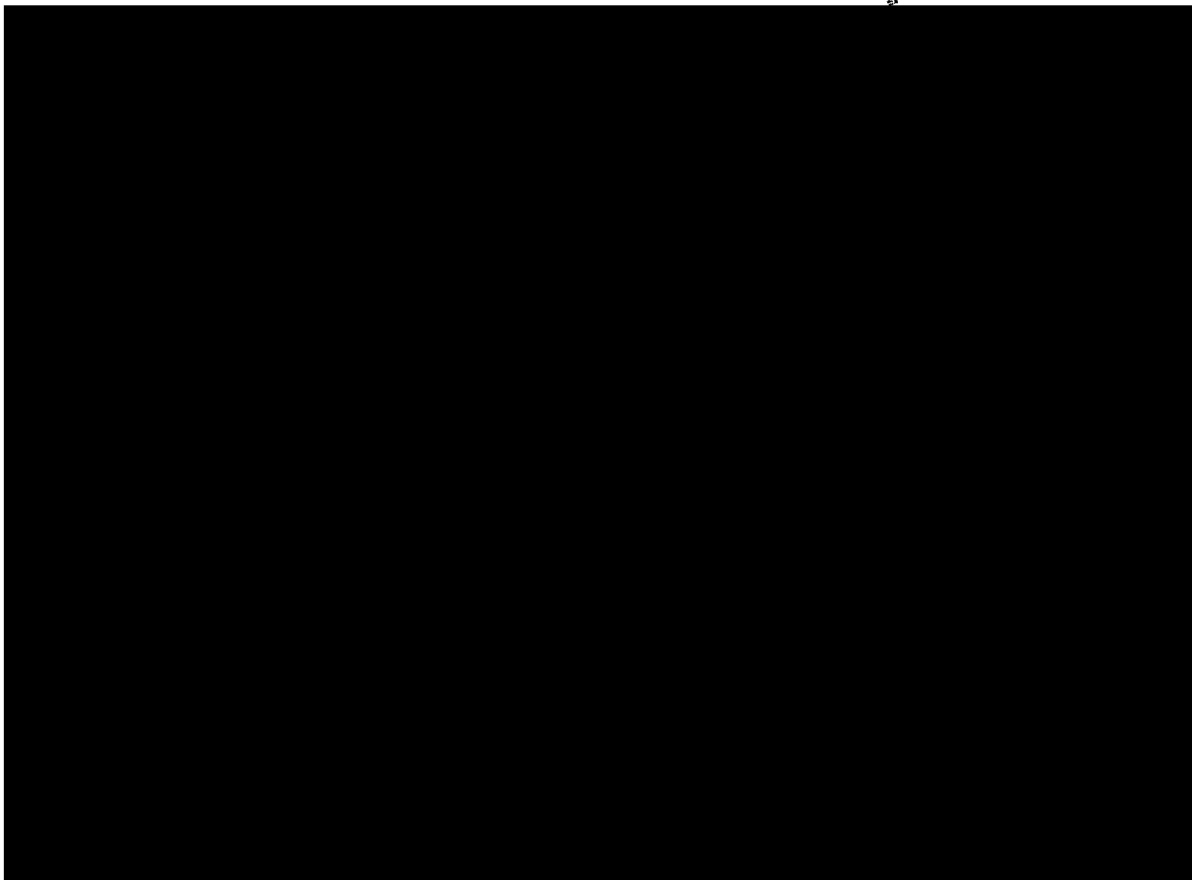
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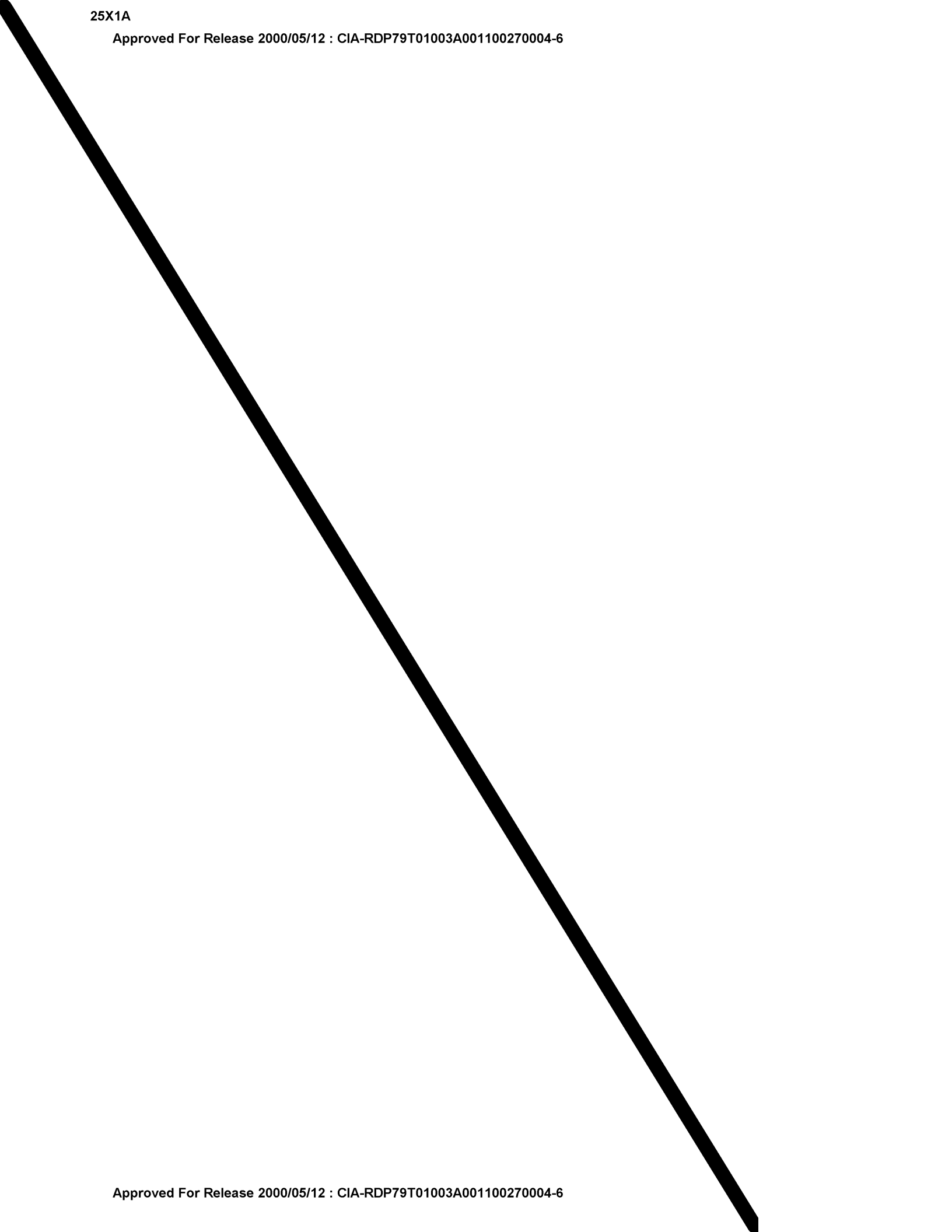


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Since 1960, the Bloc has undertaken a series of moves in South-east Asia which may culminate in a wide and intense shipping offensive in the area. Apparently, the main purpose of the offensive will be economic penetration, but harassment of the established Western liner services in the area also seems to be a consideration.

In an article published in April 1960, Dr. M. Schelzel, Director of the Institute of Sea Shipping of the Rostock University, made a strong and unequivocal statement of Bloc intentions to "oppose the imperialist shipping monopoly," and to provide coordinated shipping services, "in principle" on a bilateral basis, to the emerging national states. 1/ Several such bilateral shipping agreements now have been concluded, and, because most of these newer nations have no fleets as yet, Bloc ships are in a position to monopolize the trade.

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Although the CEMA Transportation Commission was discussing Bloc efforts in the field of ocean transportation as early as August 1957 2/ and Bloc press releases since then have reiterated the intent to pool merchant ships under the coordinated control of CEMA, the only concerted actions taken until 1960 seemed to be special services provided by ship-owning and ship-building CEMA members to other members. In June 1961, however, West German shipping circles reported that the Soviet Bloc was discussing plans for setting up a Central Shipping Bureau with extensive powers including assignment of Bloc tonnage. It was also reported at this time that the CEMA Shipping Commission would devote itself to a greater extent to the problems of a common shipping line. These reports were officially confirmed by an East German publication in July 1961. 3/

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Sino-Soviet Bloc commercial representatives in Rangoon to discuss the merging of all Bloc merchant shipping operations in the area.

Rangoon was selected as headquarters for the cartel and the Burma Agents Corp. was asked to take the general agency for it. The plans included exploitation of the area between the Red Sea and the Far East, with fleets pooled in effect into one line with coordinated schedules. Any port would be served even if cargo potential was uneconomical and freight rates would be cut as necessary to secure the trade and to drive out the established Western liner operators. 8/

Although it was understood that Communist China was not at that time an active participant in the cartel, it was believed that they would join in January 1961. This cartel would be strictly a political move~~x~~ and while the Burma Agents Corp. continued to handle Bloc ships in purely commercial business, it apparently did not desire to become involved in a politically motivated Bloc cartel.

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Meanwhile the Soviet Commercial Counsellor in Rangoon, Krylov, was replaced in December 1960 by Nikolai S. Savinov. Mr. Savinov was reportedly

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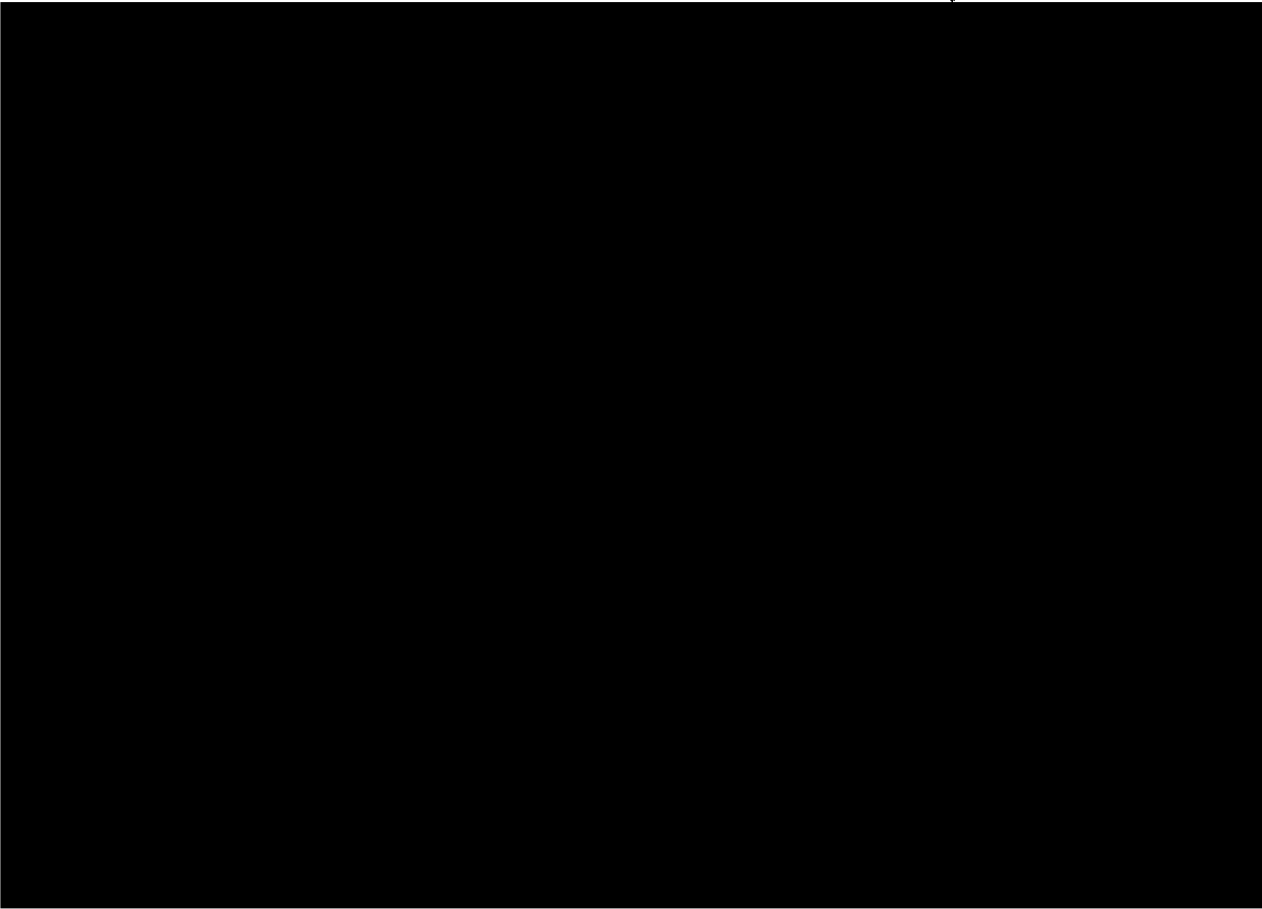
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